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JANUARY 13, 1948

# Town Meeting



BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

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## Should the President's European Recovery Plan Be Adopted?

*Moderator,* GEORGE V. DENNY, JR.

### *Speakers*

ROBERT P. PATTERSON

C. WAYLAND BROOKS

RAYMOND E. BALDWIN

HENRY HAZLITT

*(See also page 12)*

### COMING

—January 20, 1948—

How Can We Find Peace of Mind  
in This Atomic Age?

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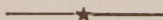


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## THE BROADCAST OF JANUARY 20:

### "How Can We Find Peace of Mind in This Atomic Age?"



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## *Town Meeting*



BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR



JANUARY 13, 1948

VOLUME 13, No. 38

### Should the President's European Recovery Plan Be Adopted?

**Moderator Denny:**

Good evening, neighbors. So much has already been said about the Marshall Plan that our moderator need say very little about it by way of introduction tonight. You know that it is the result of a proposal made by Secretary Marshall last June that European nations, that are in need of help, get together, study their own production capacities, and present a report indicating their combined needs.

Sixteen European nations — all except Russia and her satellites — made a combined report indicating that they needed over a period of four years a total of about 22 billion dollars. Our own Government has been giving many weeks to the study of these figures and has come up with the estimate of approximately 17 billion dollars to be extended over a period of four years, but to begin with six billion, 800 millions for a period

of 15 months from April, 1948, to July, 1949.

Both President Truman and Secretary Marshall have made urgent appeals for the support of this plan, the latter insisting that the whole amount should be extended or none at all. The debate is just beginning in Congress, and there are strong differences of opinion in both parties, so your Town Meeting is proud to be able to present to you tonight the opinions of Judge Robert P. Patterson, former Secretary of War, and now Chairman of the Executive Committee for the Marshall Plan to Aid European Recovery; Senator C. Wayland Brooks of Illinois, Senator Raymond E. Baldwin, of Connecticut, and Mr. Henry Hazlitt, author of a new best-seller, *Will Dollars Save the World*.

May we hear first from the distinguished Judge Robert P. Patterson, Chairman of the Executive Committee for the Marshall Plan



to Aid European Recovery? Judge Patterson. (*Applause.*)

**Judge Patterson:**

Neighbors, the world in the hundred years prior to 1914 made tremendous advances in growth of free institutions, in science and industry, in trading among nations, in levels of living and enlightenment. In these gains, the nations of Western Europe and the United States shared leadership.

Then came three calamities: World War I, World War II, and the rise of the dictators. Those calamities hit harder in Europe than anywhere else. We would like to think of them as behind us now and of Europe on the road to recovery, but there is still the Russian dictatorship—a harsh fact in the world of today—and the Russian dictator has decided to block recovery in Western Europe.

If we fail to give aid, courage, and confidence to those people in their struggle for recovery, we will play directly into the hands of Moscow. Those peoples of Western Europe have a strong record for vigor and industry. They have joined in a cooperative plan for their own recovery. They have pledged themselves to expand production, reduce inflation, and remove trade barriers. Right now they are doing their best to make those pledges good. But they need help in food, raw materials, and equipment. The only people

who can furnish the help are ourselves.

As I see it, the case is like that of a merchant whose business has been destroyed by fire or flood without insurance. His record has been honorable, but his remaining resources are not enough to enable him to rebuild and get back on a self-supporting basis.

Can he count on help from his friends? I cannot doubt what the answer of Americans in such a case will be.

If the people of Western Europe can once more regain their self-supporting capacity, if they can see the hope of a decent living, if their heritage of freedom will be safe, the integrity of their political institutions will be secure.

What is all this to us? A great deal to our economic welfare. World trade is vital to our industry, to our labor, to our farms, to every last one of us. There will be no world trade worthy of the name unless Western Europe exports and imports. A great deal to our peace and security—if the iron curtain should be pushed west to the Atlantic Ocean, we should stand almost alone without friends in peace, without allies in case of war.

Therefore, the plan to assist European recovery is a plan that should make the most powerful appeal to Americans, by our self-interest as well as by our sympathy for friends in sore distress.

If we turn to the plan, it is

pected that part of the shipments will be by loan and part will be by grant or gift. For the first year, most of the aid extended by the United States will be for food, fuel, and fertilizer.

May I make brief comment on the argument my friends may raise tonight—that we run the risk of wrecking our own economy if we carry out the plan as outlined? Six billion, 800 millions in aid over the fifteen months from April, 1948, to July, 1949, is the first step in the four-year program. Six billions, 800 millions is a lot of money. I am not tossing around any such sum lightly, but it is less than 3 per cent of our yearly product.

In weighing any proposal, the risk involved must always be balanced against the risk involved in any alternate course of action. In this case, there is the risk of economic shipwreck if we run away from the Marshall Plan and allow Western Europe to go to pieces. That risk, I feel sure, is greater than the risk involved in going forward with the plan.

The Harriman Committee made a thorough study of the plan particularly as to its impact on our own economy. They reported that we could meet the needs of the Marshall Plan without severe strain on our economy.

That committee was non-partisan. It was drawn from leaders in industry, labor and farming. Their views are supported by a

more intensive study of the case than any other opinions we know of. Its lawyers say they are expert witnesses on this subject. Their conclusion ought to carry conviction.

Will the plan succeed if less than the sum requested by the President is authorized? That sum for the first 15 months, was not a figure pulled out of the air. It was arrived at after six months search and research into every phase of the problem. I believe it to be a sound figure. No one can complain if Congress subjects it to severe scrutiny. We have the right to expect, however, that the spirit of the inquiry will not be one of timidity or hostility to the merits of the plan itself.

We should be sure that we do enough. It has not been in the American character to take on a job half-heartedly or in a defeatist mood. So I support the European recovery plan in the amount recommended and without crippling conditions. (*Applause.*)

#### **Moderator Denny:**

Thank you, Judge Patterson. Our next speaker is the United States Senator from the State of Illinois, who was first elected to the Senate in 1940. He won a number of honors in World War I as a member of the U. S. Marine Corps and in the Senate he has risen to the position of Chairman of the Senate Committee on Rules and Administration. He is the



third ranking member of the Senate Appropriations Committee. Senator Brooks has recently returned from a tour of Western Europe as a member of the Senate Appropriations Committee surveying the needs and conditions of those countries. Senator C. Wayland Brooks, we're glad to have you back on Town Meeting. (*Applause.*)

**Senator Brooks:**

Thank you, Mr. Denny. Judge Patterson, I was much interested in your homey comparison of this plan with the American businessman who lost his business by fire without insurance. If that businessman was following policies that prevented success, or practices that would cause another fire without insurance, I doubt whether you or your clients would be so free with your finances.

This so-called Marshall Plan is finally presented to the American people as *the plan* to save Western Europe and provide the basis for prosperity, plenty, and permanent peace. It takes its place alongside of its little brothers, the Bretton Woods Plan, the International Bank, the International Fund, the British Loan, the Greek Turkish Loan.

These, too, were supposed to solve the problems of the distressed world, except this one is much larger and costs much more money. Sixteen European countries grabbed the idea, added up

the imports they wished to have and subtracted the exports they think they can ship. Then they hand us the bill for the difference. This bill amounts to 22 billion dollars over a four-year period.

Is this a loan? Of course not.

These so-called loans are, in effect, gifts. None of these nations can hope to repay such huge sums any more than they could repay after the first World War, nor could England repay the \$3,750,000,000 she received for five years' neutrality, and spent almost in its entirety in the past one year.

Will this vast sum add to inflation and high prices in America? Certainly it will.

First, the money must be provided by increased prices, increased taxes. These sums of billions will be added to other sums of billions that we've scattered so freely around the world in loans, grants and other forms of generosity since the war.

This plan alone will add approximately \$500 in increased taxes to every average American family in the United States. These billions of dollars, like the others, will find their way back to compete America with our own large demand and force our prices even higher.

These dollars will compete America for grain, scrap-iron, coal, petroleum, farm machinery, mining equipment, transportation equipment, and many other

ticles and basic raw materials already in short supply.

In 1947, under the Truman Administration, we exported from America at the rate of 19 billion dollars worth of goods and services, while we imported only 8 billion dollars worth of goods and services. There can be no doubt but that this tremendous rate of exports played a material part in the increased prices we have had to pay in 1947.

This is particularly true in the case of wheat, affecting the whole food price scale. Whenever the government announced a larger export figure, the price of wheat went up.

The government demand for exports of large amounts of the other items that made up the unprecedented excess of exports over imports, added to the price and at the same time added to the tax load of our people, which in turn reflected in wage and price rise increases. This will lead to continuing high or higher prices, and the demand for rationing and price control.

The President has already asked for unlimited power to impose controls to be used, so he says, in selective form. But make no mistake about it, once rationing and controls go on in peacetime in America, the time will never come to take them off. We will ultimately be dragged down to the depths of European despair, instead of helping them rise by work

and production so that they can shake off the chains that bind them so tightly today.

Should the Marshall Plan be adopted in its present form? It should not.

We should not attempt to subsidize socialist governments that foster and follow policies that stifle individual initiative and retard production. Money will not cure the ills of Europe. Work and production constitute the only medicine so badly needed in a sick world.

The solutions for many of the problems of the European countries rest with their own governments. They must balance their domestic budget. They must change their socialistic planning, their bureaucratic controls, their false currency values, to pave the way to allow hard work and efficient production on their own part to aid them in any real recovery.

As long as these socialistic governments believe that America will continue to make up their deficits, they will continue their bad practices and any or all aid we give them—no matter how many billions of dollars are involved—will in fact become Operation Rathole. We should start, if at all, with the basic production of food, coal, steel, and transportation in Europe. These constitute the basis of all other forms of production so badly needed.

Our money and our help should be administered by patriotic Amer-



ican experts now employed in productive enterprise, in labor, agriculture, and industry. Europe needs leadership in production more than anything else, and production will form the only lasting bulwark against the spread of the misery of communism.

We should provide that leadership with any of the other essentials we provide to make progressive work and production possible. This leadership should come from American experts administering a separate organization for this purpose and should not be manned by political hangers-on around government departments and bureaus. It should be on a yearly investment basis only and its continuance should be determined upon the basis of the increased production in each country concerned.

We have no right to pile the mistakes of tomorrow upon the mistakes of yesterday. We have no right to vote away the liberties of the American people and we have no right to vote away their finances, unless the recipient people in Europe will cooperate with hard work and production and produce the goods their own people need so badly. (*Applause.*)

#### **Moderator Denny:**

Thank you, Senator Brooks. Well, you've heard both sides, now let's hear both sides from two other speakers. Our next speaker was actually born just a whisper over the line in New

York State, in Rye. But his family moved to Connecticut at the turn of the century, so when Raymond Baldwin entered the arena of politics from a career of law, he quickly rose to the office of Governor of Connecticut and was elected for three terms to that office. Last year, the people of Connecticut sent him to Congress where he soon became the leader of the so-called Freshman Group of Republican Senators. We are happy to welcome him to Town Hall. Senator Baldwin. (*Applause.*)

#### **Senator Baldwin:**

Mr. Chairman and neighbors, Judge Patterson and Senator Brooks, it seems to me that you have presented the basic points that demonstrate this issue at least as a highly controversial one. If Americans have successfully settled highly controversial issues before and, as a people, I'm sure we'll settle this one and correct too.

The Marshall Plan for European recovery is the result of a bipartisan effort. It has led us a long way from the original administration policies of compromise and temporization. It was the voice of the Republican Party speaking through Senator Vandenberg that was largely responsible for the United States developing a firm stand.

Had we not made such a change it is doubtful whether we would now have the opportunity to h



keep Europe free and to help get her on her feet. We are now convinced that something more realistic than doles to Europe is demanded for our own self-protection, if for no other reason.

During the consideration of permanent aid to rehabilitate Europe, Senator Vandenberg proposed, at a White House meeting, that a committee be established to study the impact that such a move would have upon our own economy. That suggestion led to the appointment of the Harriman Committee.

This Committee's report has given us a realistic opportunity of gauging how far we can go without seriously or permanently affecting our own economic well-being.

Senator Vandenberg's influence again changed this plan for permanent aid from an over-all four-year plan that cost 17 billion dollars to a year-by-year policy. The sensible purpose of this was to make sure that our commitments would be consistent with our capabilities. Thus we can gauge the effects as we go along, both upon Europe and upon ourselves.

Senator Vandenberg, backed by Republicans, has made possible unity at the "water's edge," so essential to national security, and as chairman of the Foreign Relations Committee backed by Republicans and Democrats as well, Senator Vandenberg has again and again taken the floor of the Senate to successfully steer through the Congress these bipartisan measures.

His suggestions have, on many occasions, saved our policies from grave mistakes.

And why do I mention these things? For this reason: If we are to maintain a strong, united American position, it should be clearly understood what roles have been played by each party in sustaining America's hope for peace.

Today, we are living in a rich block of freedom but in a neighborhood of nations threatened by poverty and despair.

Communism which feeds upon famine and fear has been spreading its dark shadow over Europe. We have seen freedom snuffed out in nation after nation. Glittering promises that hide the vicious trap of political slavery are being offered to restless and confused people.

We believe that America's own security and peace, as well as the security and peace of the world, can best be guaranteed by political freedom and economic well-being in our neighboring nations.

The Marshall Plan, in effect, says this to Europe: "The United States sympathizes with you in your difficulties. The people of the United States want peace. To have peace, we believe that there must be freedom and prosperity in the world. However, we cannot afford to support you indefinitely. We believe that your salvation is in self-help, but we are willing to offer you the tools and the money sufficient to help get you

to your feet. Then we expect that you will be able to walk forward on your own."

Science has denied us the alternative of isolation. Emergency relief is laudable but no permanent help to our hopes for security and peace. In answering our major responsibility for choosing the way toward war or peace in these years, I see no other road than the Marshall Plan or something substantially like it.

We must set certain standards. We cannot afford to waste our substance on riotous giving:

1. We must be entirely sure that the labor and material assets of the participating nations are being fully utilized.

2. We must make sure that we are actually contributing to the reconstruction of European economy to such a degree that soon our help will no longer be required.

3. We must make sure that our tools and our goods are used in the most productive way for the best interests of the whole nation concerned and not for political purposes.

4. We must make sure that the needs of the United States are considered and that our own economy remains sound, for poverty here could not relieve poverty abroad.

5. We should insist on reasonable goals of production as a condition of our continuing aid.

6. We must, in the selfish pro-

tection of ourselves and to demonstrate openly the accomplishment of democracy as we have made work in our Republic, make us unmistakably sure that every machine and every dollar and every man carries with it the label "Made in the United States of America."

The Marshall Plan does essentially these things, and that's why I shall support it in this session of the Congress. (*Applause.*)

### **Moderator Denny:**

Thank you, Senator Baldwin. Henry Hazlitt has kept a great many of you busy reading his books and articles. He is business columnist for the *Newsweek* magazine and previously served on the staffs of the *Wall Street Journal*, the *New York Evening Post*, the *Sun*, the *Nation*, the *American Mercury*, and the *New York Times*. His most recent book, *Cash Dollars Save the World*, is condensed in the January issue of *Time* *Reader's Digest* but is also hitting the list of best sellers. Mr. Henry Hazlitt, welcome to Town Hall. (*Applause.*)

### **Mr. Hazlitt:**

Judge Patterson tells us that the 17 billion dollar estimate of the total cost of the Marshall Plan was not a figure pulled out of the air. It was arrived at, he says, after six months of painstaking search and research.

In fact, however, the figure was pulled out of the air, the brains of California air. On June 12, j

one week after Secretary Marshall's first hint of his plan at Harvard, Benjamin V. Cohen, then counselor to the State Department, made a speech at Long Beach, California, in which he declared that Europe needed from us five or six billion dollars a year for the next three or four years. This meant a top figure of 24 billion dollars and a minimum of 15 billion. All succeeding estimates since then have kept the Marshall Plan figures precisely within that range.

The 16 European countries asked for 22 billions. Our own administration reduced the figure to 17 billions.

All this may show wonderful clairvoyance on the part of Mr. Cohen but there is a simpler explanation. The nations of Europe were publicly tipped off last June by a representative of the State Department concerning how much they could ask for.

Now we cannot cure a disease unless we have a correct diagnosis of it. Our European relief program is misconceived because the correct diagnosis of Europe's malady has not yet been made. It is the contention of the European governments and the belief of Secretary Marshall that Europe is suffering today primarily from the physical destruction and dislocations of the war.

It is true, Judge Patterson, that in some countries the physical destruction caused by the war was

enormous. It is true also that Europe's crops last year were damaged and reduced by bad weather. But neither of these is the main reason for Europe's present theories of economic crisis.

The main reason for the crisis, as Senator Brooks has already indicated, has been and still is the dominant economic policies being followed by nearly all the principal governments of Europe. If these policies could be summed up in one name, that name would be "repressed inflation."

Most European government budgets are unbalanced by excessive, socialistic expenditures. These governments have sought to pay for their deficits by printing more money. The increased volume of new money has been pushing up prices.

Instead of stopping the cause, these governments have preferred to try to suppress the symptoms. They have made it illegal for people to charge or to pay higher prices for goods. By dislocating, reducing, or wiping out profit margins, they have distorted and paralyzed production and intensified scarcities.

The European governments have pegged their currencies at greatly over-valued levels compared with the American dollar. It is this that has brought about the so-called dollar shortage. It has shrunk European exports by making them prohibitively expensive in terms of dollars.



That is the real reason why Europe does not export enough to pay for its imports. It wants to bridge the difference by loans from us or outright gifts from us. The Administration's own European relief program is an effort to cure all this simply by pouring in dollars taken from you, the American taxpayer. But the funds we pour in are futile as long as these European policies continue.

The President himself was au-

thority for the statement, a little while ago, that even if the United States gave the full 17 billion dollars that he then requested, it would amount annually to only some five per cent of the national production of the 16 European nations.

What is important for Europe is not a small increase or decrease in this five per cent but what happens with regard to the other 95 per cent. Even a ten per cent in-

## THE SPEAKERS' COLUMN

**CHARLES WAYLAND BROOKS** — Born in Bureau County, Illinois, in 1897, Senator Brooks, Republican, has been in the United States Senate since 1939. His course at the University of Illinois was interrupted by his enlistment for World War I in April, 1917. After the war, he studied law at the University of Chicago and also at Northwestern where he received his LL.B. While practicing law in Chicago he was also an instructor in the Northwestern Law School.

In 1934, Senator Brooks was a candidate for Congressman at large and in 1936, he was a nominee for Governor of Illinois at the primary election. In 1939, he was elected Senator to fill the unexpired term of the late Senator J. Hamilton Lewis. He was reelected for a six-year term in 1942. He is chairman of the Senate Rules and Administration Committee and a member of the Appropriations Committee.

**ROBERT PORTER PATTERSON** — Now chairman of the Executive Committee for the Marshall Plan to Aid European Recovery, Mr. Patterson is a former Secretary of War and a former judge. Born in Glens Falls, New York, in 1891, Mr. Porter has an A.B. degree from Union College and an LL.B. from Harvard. Admitted to the N. Y. bar in 1915, he practiced in New York City until 1930 when he was appointed judge of the U. S. District Court in the Southern N. Y. District. In 1939, he was appointed judge in the U. S. Circuit Court of Appeals. He resigned from this position in 1940 to become Assistant Secretary of War. Later in the same year, he was made Undersecretary of War. In 1945, he became Secretary of War, a position from which he resigned in July, 1947.

**RAYMOND E. BALDWIN** — A Republican from Connecticut, Senator Baldwin is a member of the Armed Services Committee. Born in Rye, New York, in 1893, he has an A.B. from Wesleyan University, an LL.B. from Yale, and LL.D. degrees from Wesleyan and Trinity College. While engaging in the practice of law, he was also prosecuting attorney and judge of the Town Court at Stratford. In 1931 and 1933 he was a member of the House of Representatives of the Connecticut General Assembly. From 1939 to 1941 and from 1943 to 1946, he was Governor of the State of Connecticut. Since December, 1946, he has been a member of the U. S. Senate.

**HENRY HAZLITT** — Mr. Hazlitt is business columnist for *Newsweek* and author of the recent book *Will Dollars Save the World?* Born in Philadelphia, in 1894, he attended the College of the City of New York. From 1913 to 1916, he was a member of the staff of the *Wall Street Journal* and from 1916 to 1918, was on the financial staff of the *New York Evening Post*. For awhile, he wrote the monthly financial letter of the *Mechanics and Metals National Bank*. He has been financial editor of the *New York Evening Mail*, editorial writer for the *New York Herald* and *The Sun*, literary editor of *The Sun* and *The Nation*, editor of the *American Mercury*, and on the editorial staff of the *New York Times*.

During the World War, Mr. Hazlitt was in the Air Service of the U.S. Army. He is the author of several books including *Thinking as Science*, *The Anatomy of Criticism*, and *A New Constitution Now*.

crease, for example, in current European production would be approximately double the whole original proposed 17 billion dollars from America. Such an increase in Europe's output could be quickly attained if its governments would simply remove their present strangling controls. I'm assuming here, of course, that this expanded output would come in large part in Europe's export industries.

Meanwhile, we should contribute food to tide Europe over its present food crisis, even though we know that that crisis has been mainly brought about by Europe's strangling controls. If Europe puts itself on a sound basis, it will be able to borrow large amounts of private American capital, but basically, in the next few years, only Europe can save Europe. (*Applause.*)

**Moderator Denny:**

Thank you, Mr. Hazlitt. Now, while we get ready for our discussion period, I'm sure that you, our listeners, will be interested in the following message.

**Announcer:** You are listening to "America's Town Meeting of the Air" originating in Town Hall, New York, where we are discussing the question, "Should the President's European Recovery Plan Be Adopted."

If you would like a copy of tonight's discussion, complete with the questions and answers to follow, you may secure one by send-

ing 10c to Town Hall, New York 18, New York. If you would like to have the next eleven issues of our Town Meeting bulletin starting with this week, enclose \$1.00; for twenty-six issues enclose \$2.35; or for a full year, enclose \$4.50. Remember the address, Town Hall, New York 18, New York. And please allow about two weeks for delivery.

Our mail continues to bring us news of new Town Meeting discussion groups being formed each week in homes, schools, clubs and churches.

Tonight we would like to ask all of you who have formed these groups to send us your opinions following your discussion of tonight's subject. Be sure to tell us whether your group meets regularly, give us the names of the members of your group, and whether the opinion represents a majority or if it is unanimous. You may use the same method the Supreme Court does in recording your opinions. If your response is great enough to justify it, we will make your opinions known next week or the following week. Send your reports to Town Hall, New York 18, New York.

Now we return you to Mr. Denny.

**Mr. Denny:** Now, Judge Patterson, we haven't heard from you for a while. It's time for our discussion period up here around the microphone before we let the audi-

ence in. Would you like to start this discussion?

**Judge Patterson:** I'd like to ask Mr. Hazlitt a question. He has quite properly called attention to the unbalanced budgets in certain of the European countries. Of course, I do not agree with him as to what is the cause of the present critical condition in Europe. I believe it to be war devastation. But on his point of unbalanced budgets, may I ask if, in forming his conclusions on the Marshall Plan, he has given thorough consideration to the report of the 16 cooperating countries in Europe, made last September in Paris, where they pledge themselves to step up production to high targets, to achieve monetary, fiscal, and economic stability, and to reduce tariffs and other trade barriers.

**Mr. Hazlitt:** Thank you, Judge Patterson. Yes, I've given plenty of study to that thing and I'd like to say this, that as regards, for example, their promise for production, England last February set targets which it has been unable to achieve. So far as the balanced budgets are concerned, England has done nothing about reducing a lot of things. She has a balanced budget, but she has reduced none of the things which are causing her basic inflation. The French, who promised to reduce their inflation, a few weeks ago had the highest amount of note issue on record. I'm not charging them with bad faith, I'm just charging them

with following bad methods which won't achieve their objective. *(Applause.)*

**Mr. Denny:** Thank you. Senator Brooks?

**Senator Brooks:** I'd like to comment on that. When I was in Great Britain about two months ago, I looked up the record of Hugh Dalton's speech. When they were questioning what happened to the \$3,750,000,000 we loaned them a year ago, that was supposed to last five years. He was explaining where it went, and he said "Even if we succeed in achieving all of the things we have in mind, we will still have, at the beginning of 1949, a dollar deficit running at the rate of one thousand million dollars a year." That means a billion dollars a year, year from now. Then he went on to say, "The National Insurance Act, the National Health Act, both passed last session, will come into operation in July, and will not be delayed, as some people have suggested. They will come into operation in July with all their social and financial implications, and in spite of all the difficulties confronting us, we are not going to swerve aside from carrying through this most essential feature of the program on which the last election was fought."

We're subsidizing the socialists' program of England, and they're not returning to sound finance. *(Applause.)*

**Mr. Denny:** Thank you, Senator



Brooks. I think you've tossed the ball here to Senator Baldwin.

**Senator Baldwin:** Well, Mr. Denny, I'd like to comment on that. I think the mistake that Mr. Hazlitt and Senator Brooks are making is that they are judging the Marshall Plan upon performance of plans that we've had up to now. What I'd like to point out is this: The Marshall Plan is the first time that we have had a realistic approach to all this.

Now, I can agree with what Mr. Hazlitt says in large part and with what Senator Brooks says in large part, about the failures that have been made in the past, but one thing that the Marshall Plan provides for and one thing I'm sure that Senator Vandenberg and the Republicans that support him are going to insist upon is that the conditions that have marked failure in the past be abandoned, and those are the conditions upon which we undertake this aid.

I don't think we can say that the Marshall Plan is going to be a failure because what we have done in the past is a failure. The Marshall Plan is a new, realistic, affirmative approach where we export not only dollars, but goods and material and leadership and democracy, and our hope lies in those things. (*Applause.*)

**Mr. Denny:** Thank you. Well, both sides seem to have support here in this audience. Mr. Hazlitt?

**Mr. Hazlitt:** I wanted to make a comment upon the figure that

Judge Patterson used, that the Marshall Plan would require an amount less than three per cent of our national production. That figure has been used by the President and also by Secretary Marshall. It is a perfectly invalid comparison. For example, the whole coal production of this country—the total value of the whole coal output, bituminous and anthracite—is less than one half of one per cent of our total national product. If that one half of one per cent disappeared or were shipped to Europe, it wouldn't mean that we would have the 99½ per cent less. It would ruin our economy.

Now these impacts come on special things. We are not sending abroad two or three per cent of our wheat, we are sending abroad 40 per cent of our wheat, and it has sent the price of wheat skyrocketing from \$2 a year ago to \$3 today, and that is the thing that is unsettling. This three per cent figure—it is about time we heard the last of it. (*Applause.*)

**Mr. Denny:** Thank you, Judge Patterson?

**Judge Patterson:** The three per cent figure is perfectly valid, measured in terms of dollars. But I quite agree with what Mr. Hazlitt says—that you also have the question of the pinch in commodities. They will be the most severe in wheat and steel and in certain types of transportation equipment. The Harriman Committee carefully covered that point and counseled

extreme care in controlling what we could spare to go overseas for European recovery. Those are not impediments to the success of the Marshall Plan, properly handled and properly managed.

**Mr. Denny:** Thank you, Judge Patterson. Now, Senator Brooks.

**Senator Brooks:** I am glad you mentioned transportation equipment, Judge Patterson. I agree with Mr. Hazlitt, not only 40 per cent of the wheat has gone out of the country, but 35 per cent of all the boxcars we made here. One thing that's short here and one thing they must produce in Europe is steel and coal and make their transportation equipment there. We sent 35 per cent of all the boxcars we produced in this country this year and they're still talking about three per cent of the overall. Three per cent doesn't mean anything. It's the percentage you take out of the shortages that makes the high prices that will bring

rationing and controls back on the American people. (*Applause.*)

**Mr. Denny:** Thank you, Senator Brooks. Now, Senator Baldwin.

**Senator Baldwin:** Of course we're all agreed upon the proposition that what we need is increased production in Europe. What the plan proposes to do is to put the tools and equipment into the hands of the Europeans so that they can get that increased production. When you destroy, as we have destroyed in this war, a substantial part of all the transportation facilities in Europe, that loss has got to be made up some way. That is one of the things that we must give them.

I think that we must be realistic, however, and appreciate that we can't do this without some sacrifice to ourselves. But it does seem to me that it offers the best possibility.

**Mr. Denny:** Thank you, Senator Baldwin.

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## QUESTIONS, PLEASE!

**Mr. Denny:** Now, gentlemen, let's let the audience in on this because I see a whole barrage of questions coming up. We start with the gentleman right here on the aisle.

**Man:** My question is addressed to Senator Brooks. What alternative have we but to grant the loan or gift to effect a stabilized European economy based on determined democratic principles?

**Senator Brooks:** Stable economy and stable governments depend first upon the people that have the will to stabilize their economy so they can have a stable government. That's the thing I'm contending—that these governments are following socialistic practices and they want us to finance their deficits so they can continue.

My proposition is they have got to go back to work and they have

got to produce, and we have got to send the leadership there so they can produce and get a stable economy. Then they'll have a stabilized government. (*Applause.*)

*Mr. Denny:* Thank you. The gentleman over here.

*Man:* This question is addressed to Judge Patterson. Judge Patterson, what assurance of any kind is offered that the money won't be as dismally ineffective in results as the three and three-quarter billion dollar loan to Britain?

*Judge Patterson:* The grant of money to be made under the Marshall Program is to be on bilateral agreements between this nation and the participating countries—each one of them agreements that will call for increased production, that will give some stability to the economy and to the fiscal systems of those nations and that will result also in the reduction of tariffs. That is our security and our well-being, and we'll see to it, I think, that the money is well applied.

*Mr. Denny:* Thank you. The lady in the aisle.

*Lady:* Senator Baldwin, wouldn't accepting the Marshall Plan be bypassing the UN, and couldn't we combine the Marshall Plan and the Russian Plan under the UN as a solution?

*Senator Baldwin:* I think not. That matter has been very seriously considered. The difficulty is this: We are dealing in the administration of this program of

relief with some countries who are not in the United Nations, and we are probably getting assistance in helping us carry forward this program from some nations that are not in the United Nations. In other words, the set-up of the United Nations at present, particularly the membership of it, does not lend itself to a United Nations administration.

*Mr. Denny:* The lady behind you.

*Lady:* Mr. Hazlitt, how can Eastern Europe recover sufficiently within four years to trade with Western Europe if we discourage good trade and other relations with the Soviet Bloc?

*Mr. Hazlitt:* We are not doing the discouraging. The discouraging all comes from the Soviet Bloc. Poland could send plenty of coal everywhere, but recently Polish coal has been used as a threat against Western countries not to do this or that policy. It all depends upon what trade Russia will permit.

*Mr. Denny:* Thank you. The lady in the box.

*Lady:* I am addressing Judge Patterson. Why not aid the European people directly by the method followed by Drew Pearson and let the International Bank take care of loans to governments?

*Judge Patterson:* I think the problem is too large to be handled in the International Bank, just for the same reason that it is too large to be handled by private investors



in this country. The only program that will succeed, I believe, is a program with government backing by the United States. I point out at the same time that a large part of our aid for the first year is to be in the form of food.

*Mr. Denny:* Thank you. The young lady on the aisle, there.

*Lady:* My question is addressed to Senator Brooks. With what sort of work and production is Europe supposed to recover, when her resources and facilities are now crippled as a result of the war? *(Applause.)*

*Senator Brooks:* In the first place, they've got to start producing—in the first place, the four essentials that you hear in all of Western Europe are food, coal, steel, and transportation. The farmers of Europe are short of fertilizer, to be sure, and short of machinery, to be sure, but they are not producing their maximum of food, and they're not selling it.

They're eating it and trading it for clothes instead of letting it go to feed the other people.

They've got to have rules in those countries to have those farmers produce their maximum and get it to their people. They have got to produce coal; they've got to produce the transportation equipment. Then they can produce the other consumer goods. We cannot furnish it all from America. They've got to go to work and produce it in Europe. *(Applause.)*

*Mr. Denny:* Thank you. The gentleman on the aisle.

*Man:* My question is addressed to Governor Baldwin.

*Mr. Denny:* He's a Senator now. Let's give him his proper rank. *(Laughter.)*

*Man:* All right, Senator Baldwin. The question is this—What can the American people, as distinguished from their Government, do to make the Marshall Plan a complete success once it has been adopted?

*Senator Baldwin:* The adoption of the Marshall Plan will require deprivations on our part. One thing it will do, it will seriously effect the economy of this country. In that particular field, we have got to have the cooperation of everybody. It is true, as has been pointed out here ably by Mr. Hazlitt and by Senator Brooks, that many of the things that European need are the things that we need ourselves.

Now, if we believe sincerely in this plan, it is going to require some sacrifice on our part. It is going to mean that we buy carefully, buy prudently, that we conserve food, that we conserve raw materials, that we cooperate in every way that we can.

*Mr. Denny:* Thank you. The gentleman right here on the aisle.

*Man:* My question is addressed to Mr. Hazlitt. Should not the actual administration of the Marshall Plan be given over to some private instrumentality or agency?

such as the RFC of the depression days in the early '30's?

*Mr. Hazlitt:* Well, that's a very big question. Assuming that the Marshall Plan is going to be adopted substantially or in the dimensions that are now being discussed, it seems to me that it could be divided into two sections. One, the food, which could be more or less administered by something like the equivalent of an American relief organization administration, such as Herbert Hoover organized; and the rest might be, as a temporary thing, done from export-import bank loans on a business basis.

I, of course, don't agree with the way the Marshall Plan is being set up, but it seems to me that it's better to utilize existing agencies, rather than to create a new agency, which will probably go on forever.

*Mr. Denny:* Thank you. Senator Baldwin has a comment on that.

*Senator Baldwin:* May I point out to the gentleman that there are two plans before the Congress as to how this thing shall be administered. One is the Administration Bill and the other is the Herter Bill.

The Herter Bill provides for a government corporation, which will have eight directors. Those eight directors will be presided over by a chairman. It would thereby be a separate instrumentality of the Government. It would work in close cooperation with

government officials, with members of the Cabinet, and with the President himself, but it is somewhat of a parallel to the Reconstruction Finance Corporation.

*Mr. Denny:* Thank you, Senator. Senator Brooks has a comment.

*Senator Brooks:* I think the question was a very good question. This whole thing is confused between military aid, economic aid, subsidies to government that follow bad practices, charity, and aid to help those to go to work and produce in Europe. I think we should separate them, and I think that any loans that go to produce should be handled by American businessmen and labor, and industry leaders to go over and show them how to do it, or they'll never get off our backs. (*Applause.*)

*Mr. Denny:* Thank you. Next.

*Man:* I'd like to ask Senator Baldwin, how could we retire from the Marshall Plan, if there is no improvement in Europe by, say, 1950?

*Senator Baldwin:* Well, the plan that has been worked out now or is being considered in Congress is a year-by-year proposition. There is no guarantee on our part that we'll go further than one year.

Secondly, the bilateral agreements, that Judge Patterson referred to, that will be made out between our Government and the governments of the countries we deal with, no doubt will make adequate provision for our withdrawal, provided those govern-

ments do not live up to the conditions of those bilateral agreements.

So it seems to me that this year-by-year proposition and this method of agreement, makes it possible for us to properly withdraw if the plan is not a success with that particular country, or if they are not cooperating, as they must agree to do, before we undertake the aid in the first place.

*Mr. Denny:* Thank you. Take the lady over here next.

*Lady:* My question is addressed to Senator Brooks. Can't a way be found to give aid to Europe under the Marshall Plan with provisions that will not be contributing to inflation?

*Senator Brooks:* The best way to help give any help to Europe without contributing to inflation is to limit the amount of short supplies in this country with the administration there by American businessmen and agriculture and labor leaders to see that they start to produce and start immediately. All this talk about the bilateral agreements that they are going to make—we heard about that in the International Bank, the International Fund. We heard about it in the British loan, and all other loans. It hasn't worked. I say now we have got to send some leaders in there to see that it does work and then we will limit the inflation that it causes in the United States. (*Applause.*)

*Mr. Denny:* Thank you. The gentleman right there. Yes?

*Man:* Mr. Hazlitt, will you give us your opinion why the Communists, certain people in Wall Street, and our old isolationists are opposed to the Marshall Plan? (*Laughter and applause.*)

*Mr. Denny:* Sir, you sort stumped him.

*Mr. Hazlitt:* I'm not privy to what's going on in everybody's mind and what everybody's private motive is. I don't know precisely why Stalin is opposing the Marshall Plan. What I do know is that he would oppose—the Russians oppose—anything that we propose. No matter what we think of whether it's a Marshall Plan or a Truman Plan or a Taft Plan or a Dewey Plan, they will be against it because their purpose is to discredit America and therefore, they must discredit everything that we do or think of doing. But if they are going to oppose everything we think of doing and if we are going ahead with everything that they oppose, when is anybody going to consider anything on its merits? (*Applause.*)

*Mr. Denny:* Thank you. Next question.

*Man:* My question is addressed to Judge Patterson. Why not use the UN as the executor for the plan and hereby prove to Russia that our intentions are really genuine and of a helping nature?

*Judge Patterson:* If you put it into the UN and it gets into the Security Council, you can bank on a Russian veto. In the second



place, there are certain of the contributing countries, participating countries of the 16 nations in Western Europe that are not members of the United Nations. Ireland is one, for instance. It is one of the 16 nations under the Marshall Plan but it is not now a member of the United Nations. It would like to be, but it's the same old veto.

*Mr. Denny:* Now while our speakers prepare their summaries for tonight's question, here is a special message of interest to you.

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Now for the summaries, here is Mr. Denny.

*Mr. Denny:* Here for the first summary is Henry Hazlitt.

*Mr. Hazlitt:* The Marshall Plan is based on the mistaken assumption that the present economic difficulties of Europe are chiefly the result of war destruction. The truth is that Europe's present economic crisis is chiefly the result of its own collectivist and inflationary policies. Regardless of whether or not America grants aid, the European crisis will continue until its governments return to free markets and sound monetary policies.

*Mr. Denny:* Thank you, Mr. Hazlitt. Now Senator Baldwin, please.

*Senator Baldwin:* Well, we may be far apart on the basic things involved here. Nevertheless, it does seem to me that in all this, among all Americans of different opinions, there is a fair ground upon which we can all meet. For example, Mr. Hazlitt and Senator Brooks tonight have pointed out very forceably and very ably some of the difficulties that we must avoid, some of the mistakes that we can't afford to make, and some

of the conditions that must be imposed.

This Marshall Plan will cost money that we can ill afford to spend but what is the alternative? It is to retreat from Europe and from Asia beyond the oceans and build here an impregnable defense in a hostile world. What would it cost to ensure our security in isolation against the combined manpower, economic, military, and ideological forces that could and would be organized against us?

We need to keep America strong but a program for world security in which we have the co-operation of freedom-loving nations backed up by an adequate military naval and air force of our own offers the less costly, more hopeful policy. (*Applause.*)

*Mr. Denny:* Thank you. Now, Senator Brooks.

*Senator Brooks:* Mr. Denny, this so-called Marshall Plan and program as presented is complicated and confused. If left in its present form to be administered by government agencies, it will continue to be confused between military aid, economic aid, subsidies to governments to further their socialist policies, charity or aid to help people in Europe to go to work and produce for themselves.

I want the people of America to know exactly what and how much they are paying for each of the items. Whatever we do will mean increased prices and increased taxes

in America and the plan should not be adopted in its presently presented form. (*Applause.*)

*Mr. Denny:* Thank you. Now final word from Judge Patterson.

*Judge Patterson:* No one questions the fact that the people of Europe are in critical condition. Can there be any real doubt that their condition is basically the result of war destruction? The ravages of World War II were enormous, far beyond the scale of destruction in any other war.

In considering the plan for recovery, we should look at the whole plan, not simply at a part of it. We should not forget that the 16 countries of Western Europe have each pledged themselves to step up their production, check inflation, and reduce trade barriers. To do these things they need our help. It is to our own best interests as well as theirs, to help them along the road to recovery, self support and freedom. (*Applause.*)

*Mr. Denny:* Thank you, Judge Patterson, Senator Brooks, Senator Baldwin, and Henry Hazlitt for your extremely helpful suggestions on tonight's urgent problem.

Now, friends, if you want copies of tonight's discussion, remember that you may secure it by sending 10 cents to Town Hall, New York 18, New York. That's Town Hall New York 18, New York.

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thor of *Peace of Mind*, and from Dr. George Stoddard, president of the University of Illinois. They will discuss the question, "How Can We Have Peace of Mind in This Atomic Age?"—or can we?

As a special interrogator, we

will have our old friend, Dr. Houston Peterson of Rutgers University, who served as guest moderator on this program on several occasions. So plan to be with us next Tuesday evening at the sound of the Crier's Bell. (*Applause.*)





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